

Message Text

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ORIGIN ACDA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 INR-10 L-03
NSAE-00 NSC-05 EB-08 NRC-05 OES-07 SOE-02 DODE-00
DOE-15 SS-15 SP-02 CEQ-01 PM-05 XMB-02 OMB-01
/119 R

DRAFTED BY ACDA/NP:DRUST
APPROVED BY IO/UNP:TNILES
NSC:RPUTNAM OMB:JNIX
DOE:IWILLIAMS DOD:SFFLOOD
JCS:MAJ. FRITZEL
ACDA/D/C:AYARMOLINSKY
PM/NPP:CSTEINER PM/DCA:MARIETTI
T/D:LSCHEINMAN/DWELCH
IO/SCT:JTREVITHICK
S/AS:PFARLEY OES/NET:BMOFFITT
-----091087 070453Z /13
P 070016Z JUN 78
FM SECSTATE WASHDC
TO USMISSION USUN NEW YORK PRIORITY
INFO AMEMBASSY VIENNA PRIORITY

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USIAEA

E.O. 11652: N/A

TAGS: PARM, TECH

SUBJECT: UNCLASSIFIED FACT SHEET AND CONTINGENCY Q'S AND
A'S ON PEACEFUL NUCLEAR COOPERATION INITIATIVE

1. TEXT IN PARA 2 IS UNCLASSIFIED FACT SHEET ON
PEACEFUL NUCLEAR COOPERATION INITIATIVE FOR DISTRIBUTION
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IN CONNECTION WITH STATEMENT ON NPT (TEXT SEPTTEL). IN
PARA 3 ARE SOME Q'S AND A'S FOR CONTINGENCY USE ONLY.
PUBLIC HANDOUTS SHOULD BE LIMITED TO THE STATEMENT AND FACT
SHEET. THERE ARE SOME DETAILS OF THIS INITIATIVE THAT
REMAIN TO BE WORKED OUT AND ANY QUESTIONS NOT
ANSWERED BY THE FACT SHEET OR CONTINGENCY Q'S AND A'S
SHOULD BE REFERRED TO WASHINGTON.

2. DURING VICE PRESIDENT MONDALE'S ADDRESS TO THE UNITED NATIONS SPECIAL SESSION ON DISARMAMENT, HE ANNOUNCED THAT THE PRESIDENT WOULD BE PROPOSING AN EXPANSION OF CONTRIBUTIONS BY THE UNITED STATES TO THE PEACEFUL NUCLEAR PROGRAMS OF OTHER COUNTRIES. CONGRESSIONAL APPROVAL WILL BE REQUIRED FOR THIS PROGRAM WHICH IS PRINCIPALLY FOR THE BENEFIT OF THE DEVELOPING COUNTRIES. THIS INITIATIVE IS DESIGNED TO STRENGTHEN OUR COMMITMENT TO MEETING THE LEGITIMATE NUCLEAR ENERGY NEEDS OF THESE COUNTRIES IN A WAY THAT PROMOTES INTERNATIONAL NON-PROLIFERATION OBJECTIVES. THIS SECOND AIM IS ACHIEVED BY:

--- STRENGTHENING THE NPT THROUGH GRANTING PREFERENCE TO TREATY PARTIES;

-- ENHANCING THE IAEA'S ROLE IN PEACEFUL NUCLEAR COOPERATION THROUGH ITS INVOLVEMENT IN ADMINISTERING TWO ELEMENTS OF THE PROGRAM OUTLINED BELOW; AND

-- PROVIDING INCENTIVES TO MINIMIZE THE EXPORT OF HIGHLY ENRICHED URANIUM (HEU) FUEL FOR USE IN RESEARCH REACTORS. (PUT FOOTNOTE HERE -- IN APRIL 1977, PRESIDENT CARTER ANNOUNCED A POLICY AIMED AT REDUCING THE AMOUNT OF HEU IN INTERNATIONAL COMMERCE, SINCE SUCH MATERIAL IS READILY USABLE IN WEAPONS. THIS OVERALL PROGRAM INCLUDES INTENSIVE US EFFORT TO DEVELOP NEW FUEL TECHNOLOGIES LIMITED OFFICIAL USE

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THAT WOULD ALLOW LOWER ENRICHED FUELS TO BE SUBSTITUTED FOR HEU IN RESEARCH REACTORS.)

(A) (START UNDERLINE) ESTABLISHMENT OF A \$5 MILLION "TRUST" PROGRAM UNDER THE IAEA FOR DEVELOPING COUNTRIES PARTY TO THE NPT. (END UNDERLINE) AT THE 1975 NPT REVIEW CONFERENCE THE US SUPPORTED GRANTING PREFERENCE TO NPT PARTIES IN PROVIDING CERTAIN TYPES OF ASSISTANCE THROUGH THE IAEA. APPROXIMATELY 60 PERCENT OF THE \$4.4 MILLION TOTAL THE US WILL CONTRIBUTE DURING 1978 FOR ASSISTANCE IS DESIGNATED AS "GIFTS-IN-KIND" AND FOR WHICH NPT PARTIES RECEIVE PREFERENCE. THIS NEW "TRUST" PROGRAM WILL AUTHORIZE UP TO \$1 MILLION ANNUALLY FOR 5 YEARS AND WILL BE FOR THE SOLE USE OF DEVELOPING COUNTRIES PARTY TO THE NPT. THE FUNDS COULD BE USED TO PURCHASE RADIOISOTOPES FOR MEDICINE OR AGRICULTURE; TO PROVIDE ASSISTANCE ON SAFETY AND ENVIRONMENTAL ASPECTS OF REACTORS; AND OTHER SIMILAR PURPOSES.

(B) (START UNDERLINE) PROVISION OF 20 PERCENT ENRICHED URANIUM REACTOR FUEL WITH PREFERENCE FOR NPT PARTIES. (END UNDERLINE) THIS FUEL WOULD BE FOR THE

PURPOSE OF ENCOURAGING THE USE OF LOW ENRICHED URANIUM (LEU) IN RESEARCH REACTORS, RATHER THAN HEU. UP TO \$1 MILLION ANNUALLY FOR 5 YEARS WILL BE ALLOTTED TO THE IAEA FOR THIS PROGRAM WITH STRONG PREFERENCE GIVEN TO NPT DEVELOPING COUNTRIES, WHO SHOULD RECEIVE SUCH MATERIAL WITHOUT COST. EXCEPTIONS MIGHT BE ALLOWED, ON A CASE-BY-CASE BASIS, FOR DEVELOPED NPT COUNTRIES, AND FOR NON-NPT DEVELOPING COUNTRIES IF IT SERVED THE GOAL OF SIGNIFICANTLY REDUCING THE LEVEL OF ENRICHMENT IN FUEL CURRENTLY UTILIZED IN RESEARCH REACTORS. THE BENEFICIARY OF SUCH AN EXCEPTIONAL CASE WOULD GENERALLY BE EXPECTED TO PAY SOME FRACTION (PERHAPS HALF) OF THE CURRENT VALUE OF THE MATERIALS.

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A MAJOR ADVANTAGE OF SUCH AN INITIATIVE IS THAT GIVEN THE PROLIFERATION AND NUCLEAR TERRORISM DANGERS OF HIGHLY ENRICHED URANIUM, AN OFFER OF THIS SORT SHOULD GIVE MANY COUNTRIES A SUBSTANTIAL ECONOMIC INCENTIVE TO SWITCH TO 20 PERCENT ENRICHED MATERIAL, THEREBY REDUCING THE AMOUNT OF WEAPONS-GRADE URANIUM IN CIRCULATION.

(C) (START UNDERLINE) A US OFFER TO PROVIDE APPROXIMATELY \$1 MILLION ANNUALLY IN "FUEL CYCLE" SERVICES FOR RESEARCH REACTORS. (END UNDERLINE) TO COMPLEMENT "B" ABOVE, THE US WILL FURTHER OFFER TO SET ASIDE \$1 MILLION ANNUALLY FOR 5 YEARS PRINCIPALLY FOR THE PURPOSE OF PROVIDING NATIONS WITH FUEL FABRICATION SERVICES FOR LEU FUEL IN THOSE CASES WHERE IT WOULD RESULT IN THE USE OF LOWER ENRICHMENT LEVELS IN RESEARCH REACTORS. BY OFFSETTING INCREMENTAL FUEL FABRICATION COSTS OF RESEARCH REACTORS FUELED BY LEU, THIS WOULD CREATE AN IMPORTANT ECONOMIC INCENTIVE FOR STATES TO FOREGO UTILIZATION OF HEU IN FAVOR OF LESS WEAPONS-SENSITIVE MATERIALS. PROVISION OF THESE SERVICES WOULD NOT BE LIMITED TO NPT PARTIES.

(D) (START UNDERLINE) A NEW PREFERENCE POLICY ON EX-IM FINANCING OF NUCLEAR PROJECTS. (END UNDERLINE) AT THE NPT REVIEW CONFERENCE IN 1975, THE US, WITH THE CONCURRENT OF THE EX-IM BANK CHAIRMAN, JOINED A CONSENSUS FAVORING PREFERENTIAL TREATMENT FOR NPT PARTIES IN THE EXTENSION OF FINANCING FOR PEACEFUL NUCLEAR APPLICATIONS. THE FOLLOWING STATEMENTS REFLECT THE CONTEXT IN WHICH SUCH A POLICY WILL BE IMPLEMENTED:

-- (1) THE US STRONGLY REAFFIRMS ITS WILLINGNESS TO FINANCE APPROPRIATE PROJECTS IN THE NUCLEAR FIELD, NOTING THAT THE USE OF NUCLEAR POWER TO MEET ENERGY LIMITED OFFICIAL USE

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REQUIREMENTS IS LIKELY TO GROW, AND WITH IT THE REQUIREMENT FOR ADEQUATE FINANCING; AND

-- (2) EX-IM FINANCING OF ALL PROJECTS IN THE NUCLEAR FIELD WILL BE LIMITED TO THOSE COUNTRIES WHICH MEET OUR NON-PROLIFERATION REQUIREMENTS, WITH PREFERENCE GIVEN TO NPT PARTIES.

3. Q: WHAT DOES THE US HOPE TO ACCOMPLISH BY THIS INITIATIVE?

A: WE ARE INTERESTED IN DEMONSTRATING FURTHER EVIDENCE OF US WILLINGNESS TO COOPERATE IN THE PEACEFUL USES OF NUCLEAR ENERGY -- PARTICULARLY WITH THE DEVELOPING COUNTRIES. IN ADDITION, THESE MEASURES ARE DESIGNED TO ADVANCE THE IAEA'S ROLE IN ADMINISTERING SUCH ASSISTANCE; STRENGTHEN THE NPT; AND PROVIDE POSITIVE INCENTIVES TO COUNTRIES TO MINIMIZE THE USE OF WEAPONS-USABLE HIGHLY ENRICHED URANIUM.

Q: WHEN WILL THESE NEW PROGRAMS BECOME EFFECTIVE?

A: FUNDS FOR THE FIRST THREE PROGRAMS WILL BE INCLUDED IN THE FY 1980 BUDGET REQUEST. THE NEW PREFERENCE POLICY ON EX-IM FINANCING BECOMES EFFECTIVE IMMEDIATELY.

Q: WILL THIS REPRESENT AN INCREASE IN OUR LEVEL OF TECHNICAL ASSISTANCE TO THE IAEA?

A: THESE WILL BE IN ADDITION TO OUR EXISTING ASSISTANCE PROGRAMS. WHILE IT IS DIFFICULT NOW TO PREDICT THE OUTCOME OF THE CONGRESSIONAL AND BUDGETARY PROCESS, THE US INTENDS THAT THESE NEW FUNDS WILL BE OVER AND ABOVE THE PAST AND CURRENT LEVELS OF US TECHNICAL ASSISTANCE.

Q: WILL THE US RETAIN CONTROL OVER THIS ASSISTANCE THAT LIMITED OFFICIAL USE

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IS DISPENSED THROUGH THE IAEA?

A: IN GENERAL ONLY TO THE EXTENT THAT SUCH ASSISTANCE MAY BE DESIGNATED FOR NPT PARTIES. ANY EXCEPTION TO THIS RULE WOULD HAVE TO BE APPROVED BY THE US. OF COURSE, WHERE APPLICABLE, RECIPIENT STATES WILL HAVE TO MEET ANY NECESSARY US LICENSING OR REGULATORY REQUIREMENTS.

Q: WHY IS THERE NO NPT PREFERENCE FOR PROPOSAL
NUMBER 3?

A: BECAUSE ALL COUNTRIES -- OURSELVES INCLUDED -- WILL
BE MORE SECURE IF THE USE OF HEU IS RESTRICTED, WE FELT
IT WAS IN OUR NON-PROLIFERATION INTERESTS TO STRUCTURE
THE PROPOSAL IN A WAY THAT DIDN'T EXCLUDE NON-NPT
PARTIES. THIS IS NOT TO IMPLY THAT FACTORS SUCH AS A
COUNTRY'S NPT STATUS WON'T STILL CARRY SOME WEIGHT IN
CERTAIN SITUATIONS.

Q: DO THE "FUEL CYCLE" SERVICES IN NUMBER 3 INCLUDE
REPROCESSING?

A: NO.

Q: DOES THE POLICY ON EX-IM FINANCING AFFECT ANY
EXISTING PROJECTS?

A: NO, IT REFERS TO NEW APPLICATIONS ONLY.

Q: WILL EX-IM AUTOMATICALLY TURN DOWN NON-NPT PARTIES?

A: NO, OUR FINANCING IN THE NUCLEAR AREA WILL BE AVAIL-
ABLE TO ALL COUNTRIES WHICH WE ASSIST THROUGH AN
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"AGREEMENT FOR COOPERATION" IN THE NUCLEAR FIELD.
HOWEVER, (BEGIN UNDERLINE) PREFERENCE (END UNDERLINE) IS
TO BE GIVEN TO NPT PARTIES.

Q: DOES THE EX-IM POLICY ALSO APPLY TO GUARANTEES?

A: YES.

Q: WHAT CAN THE TRUST FUNDS BE USED FOR?

A: THE PROPOSED PROGRAM COULD BE USED TO PROVIDE FUNDS
FOR THE PURCHASE OF US EQUIPMENT, PROVISION OF US EXPERTS,
TRAINING IN THE US, ASSISTANCE IN REACTOR SAFETY, TO PUR-
CHASE RADIOISOTOPES, AND OTHER SIMILAR PURPOSES. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOCUMENTS, PEACEFUL USES OF ATOMIC ENERGY, NUCLEAR COOPERATION PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE143723
Document Source: CORE
Document Unique ID: 00
Drafter: DRUST
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780237-0330
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780686/aaaacvml.tel
Line Count: 270
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8ae1cc8f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ACDA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2452577
Secure: OPEN
Status: NATIVE
Subject: UNCLASSIFIED FACT SHEET AND CONTINGENCY Q'S AND A'S ON PEACEFUL NUCLEAR COOPERATION INITIATIVE
TAGS: PARM, TECH, APUB
To: USUN NEW YORK IAEA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8ae1cc8f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014